

# Greece: voting for or against Europe

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The Greek referendum is a choice for or against Europe, for the drachma or the Euro, a choice between isolation or engagement with Europe. It is also a vote of confidence, or not, for the new government.

A 'no' vote, which the government of Syriza and the Independent Greeks propose, will begin a process of gradual disengagement from the Eurozone and possibly from the EU. A 'yes' vote, on the other hand, will be a spectacular defeat for the government, which only a few weeks ago had an approval rating of 60 or 70 per cent. It will also be a powerful statement of intent of the Greek people for staying the course of painful reform, which began in 2010 and has seen the largest fiscal consolidation in history and a drop of 25 per cent in GDP.

Because this is the choice, Golden Dawn, the party of neo-Nazis, also supports 'no', hoping to achieve its isolationist dreams. People outside Greek politics – especially those who oppose austerity on Keynesian grounds – do not understand this and think that 'no' would be a vote against austerity. They are wrong.

The government has proposed a very convoluted question, which more or less reads as follows: 'do you wish to approve the bailout renewal proposal put forward by the EU and the IMF of 25 June?'. It then refers to the two separate documents it has in mind, giving their titles in English. However, this proposal lapsed when the bailout programme expired on 30 June. So the question is now entirely hypothetical, since no offer is on the table. In addition, capital controls have made the situation very much worse, so new measures will be required. The extraordinarily short campaigning time of seven days will not help to clarify any of these issues in the minds of most people.

Be that as it may, given the question, answering 'no' is not a straight vote against the Euro. The government insists that it intends to stay in the Eurozone and wants to receive a boost of a 'no' to the current deal so as to secure a better deal next week. This looks like an increasingly desperate gamble.

In reality, a 'no' vote will have two major effects. The first is internal. Tsipras' mandate will change. In January he was elected with the mandate of staying in the Euro and ending austerity, two incompatible aims. In the course of the five months that he has been in power it has become obvious – although not sufficiently explained by the flippant and populist Greek media – that this week he cannot deliver both promises. Since capital controls have been imposed, people have no access to Euros and suffer worse austerity. What the government now seems to want is a mandate for all-out war with the EU. As the nature of the question is so open ended, it can be interpreted either as a 'no' to the compromise plan, or as a 'no' to the EU in its entirety. Earlier this week Tsipras said that a no vote would allow us to 'stand on our own two feet'.

But the second effect will be external, and is even more significant. A 'no' vote to the last EU proposal will be a signal to the EU institutions and especially the ECB that a deal is not forthcoming. The ECB and the EFSF will interpret this as a sign that the Greek people are intent on confrontation. The Greek default to the IMF, which happened on Tuesday, will be interpreted as a definitive signal that Greece intends to default on all its loans, in order to remain 'independent', as instructed by its leaders. The result is that Greece soon will be bankrupt and its banks will run out of money entirely.

It is in this way that a 'no' result will set in motion the process of disengagement from the Eurozone. It is true that the EU cannot throw Greece out of the Euro. There is no legal mechanism for 'Grexit' as Syriza's ministers say again and again. But this is irrelevant.

The mechanism will work the other way round: the Greek government will beg for Grexit, when it finds out that it absolutely has to recapitalise its banks within a matter of days and discovers that the unilateral creation of a new currency is against EU law. Under EU law anyone paid in drachma or IOUs will be able to claim, correctly, that the drachma is illegal because it is against the laws of the Eurozone. Because EU law has direct effect and supremacy in Greece, anyone from an ordinary pensioner to even a large pharmaceutical company will be able to bring a claim against the government before the Greek courts in order to be paid in Euros, on the basis that

monetary issues belong to the exclusive competence of the EU – for those countries that are members of the Eurozone. Chaos will ensue. The insecurity of legal tender will make banking impossible. In order to make a clean break with the past, Greece will itself ask to be let loose from the Eurozone framework.

And then the tug of war between Greece and the Eurozone will become even more dramatic. The treaties can change only with unanimity. Any one government can ask the Greek government anything in return. If one government (Finland?) insists – for its own domestic calculations – that in order to protect the Euro we cannot have exit while remaining inside the EU, then Greece may be forced to leave the EU altogether. It will be the price the government will have to pay in order to have an internationally recognised legal currency and the banks working again.

So a 'no' vote leads to exit from the Eurozone and possibly exit from the EU. Why does Syriza say that it wants to stay in the Euro while doing exactly the opposite of what is required to achieve it? Syriza's leadership is guided by a bizarre mixture of anti-capitalism and nationalism, ideas that are minority positions in the wider public. Throughout the crisis Syriza has downplayed its ideology and highlighted an anti-austerity message. This is how it increased its vote share from 4 per cent to 36 per cent in four years. Since it won power, it has not felt the need to pretend to be more centrist than it really is. If it secures a 'no' it can now hastily declare victory on the 'anti-austerity' campaign and change strategy altogether. It will leave the Eurozone, or even the EU, and get down to the serious business of setting up a new clientelistic state, within an isolated, state-run economy and a system of government that will work only for the benefit of the party and its cronies. This is the meaning of the coming referendum.

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